

## Message Text

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ACTION EB-08

INFO OCT-01 IO-13 ISO-00 STRE-00 AF-10 ARA-10 EA-10  
EUR-12 NEA-10 OIC-02 JUSE-00 AGRE-00 CEA-01  
CIAE-00 COME-00 DODE-00 FRB-03 H-01 INR-10 INT-05  
L-03 LAB-04 NSAE-00 NSC-05 PA-01 CTME-00 AID-05  
SS-15 STR-07 ITC-01 TRSE-00 ICA-11 SP-02 SOE-02  
OMB-01 DOE-15 /168 W  
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USMTN

PASS ELECTRONICALLY STR (MCDONALD) AND AGRICULTURE  
(HATHAWAY/OYLOE)  
STR PASS CODEL

E.O. 11652: N/A  
TAGS: MTN, ETRD  
SUBJECT: MEETING OF MTN DAIRY SUBGROUP, APRIL 24-26

REF: GENEVA 06018

1. SUMMARY. THE MTN SUBGROUP DAIRY HELD A PRODUCTIVE MEETING APRIL 24 TO 26. THE SUBGROUP DISCUSSED THE TECHNICAL ASPECTS AND THE SPECIFIC PROVISIONS OF THE PROPOSED ARRANGEMENT FOR DAIRY PRODUCTS. THE DISCUSSION DWELLED AT LENGTH ON THE INTERNAL CONSISTENCY OF THE VARIOUS ARTICLES AND, IN PARTICULAR, ON THE GATT CONSISTENCY OF THE ARRANGEMENT. THE US DECLARED THAT IT IS UNDENIABLE THAT THE PROPOSAL IS A BASIS FOR NEGOTIATION  
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AND EXPLAINED IN DETAIL THE US ATTITUDE VIS A VIS THE PROPOSED ARRANGEMENT. END SUMMARY.

2. THE MTN SUBGROUP DAIRY BEGAN ITS DELIBERATIONS ON APRIL 24 WITH A DETAILED DISCUSSION OF THE TECHNICAL ASPECTS OF THE PROPOSED DAIRY ARRANGEMENT. IN PARTICULAR, THE DEFINITIONS OF THE VARIOUS DAIRY PRODUCTS WHICH

ARE TO BE SUBJECT TO MINIMUM PRICE WERE CONSIDERED IN GREAT DETAIL BOTH IN THE PLENARY MEETING AND IN SEPARATE EXPERT MEETINGS.

3. IN THE PLENARY MEETING THE US DEL (KOENIG) UPON INSISTENT QUESTIONING FROM THE CHAIR DECLARED THAT IT IS SELF-EVIDENT AND HENCE UNDENIABLE THAT THE DOCUMENT UNDER CONSIDERATION (MTN/DP/W/27/REV. 3) IS A BASIS FOR NEGOTIATIONS, SINCE THE MAJORITY OF THE PARTICIPANTS CONSIDERS IT AS SUCH. THE US THEREFORE HAS NO OBJECTIONS TO REMOVING THE BRACKETS AROUND THE WORDS "BASIS FOR NEGOTIATIONS". IT IS WILLING TO PARTICIPATE CONSTRUCTIVELY IN THE ELABORATION OF THE TEXT FOR AN INTERNATIONAL DAIRY ARRANGEMENT. ON THE OTHER HAND THE HYPOTHETICAL NATURE OF THE DOCUMENT IS ALSO UNDENIABLE. HYPOTHETICAL MUST NOT BE UNDERSTOOD AS HITHERTO IN THE SENSE OF ACCEPTABILITY, FOR THE LATTER CAN BE DECIDED ONLY AT THE END OF THE DAY IN THE LIGHT OF THE FINAL PROVISIONS OF THE DOCUMENT. TO SOME THE PROPOSED ARRANGEMENT MIGHT BE FULLY ACCEPTABLE, TO OTHERS ONLY IN PART, TO OTHERS NOT AT ALL.

4. AS PER INSTRUCTIONS (PARA 5) WE INFORMED PRIVATELY THE EC (JACQUOT) THAT WE ARE PREPARED TO ENTER INTO A CONSULTATIVE AGREEMENT ON DAIRY PRODUCTS. HOWEVER, WHEN EC DEL (UPON INSTRUCTIONS BY GUNDELACH), AS WELL AS OTHER LIMITED OFFICIAL USE

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DELS, ASKED AT THE PLENARY MEETING WHAT THE US POSITION WITH REGARD TO THE PROPOSED DAIRY ARRANGEMENT IS, WE STATED THE FOLLOWING IN LINE WITH INSTRUCTIONS:

5. THE US CONSIDERS THE DOCUMENT BEFORE THE GROUP AS A BASIS FOR NEGOTIATIONS BUT MUST STRESS THAT IT IS STILL OF A HIGHLY HYPOTHETICAL NATURE. THE US IS NOW WILLING FULLY TO ENGAGE IN THE NEGOTIATING PROCESS TO DEVELOP AN ACCEPTABLE TEXT FOR AN INTERNATIONAL DAIRY AGREEMENT. POSSIBLE US PARTICIPATION IN SUCH AN AGREEMENT DEPENDS ON A NUMBER OF FACTORS:

A) MANY PROVISIONS OF THE PRESENT DRAFT MUST BE UNAMBIGUOUSLY CLARIFIED SO THAT THE US GOVERNMENT CAN PRONOUNCE ITSELF ON THE DOCUMENT AS A WHOLE.

B) THE INTERNAL INCONSISTENCIES OF THE PRESENT TEXT MUST BE ELIMINATED AND ITS CONSISTENCY WITH THE GATT MUST BE CLEARLY DEFINED. THE US DEL POINTED OUT THAT THE GATT PROCEDURES ARE LARGELY BASED ON CASE HISTORY AND WE DO NOT WISH TO SET PRECEDENTS WHICH MIGHT BE USED IN OTHER AREAS OF THE GATT.

C) A SATISFACTORY SOLUTION OF THE PRO MEMORIA SUGGESTIONS (SAFEGUARDS, STANDARDS, ETC.) MUST BE FOUND.

D) FURTHER PROGRESS MUST BE MADE IN THE BILATERALS BECAUSE THE RESULTS OF THESE BILATERALS ARE INDISPENSABLE FOR GIVING MEANINGFUL CONTENT TO THE PROPOSED AGREEMENT WHICH IN PARTS IS LARGELY A FRAMEWORK AGREEMENT.

E) WE TAKE A POSITIVE VIEW ON THE IDEA OF CONSULTATIONS AND INFORMATION INCLUDED IN THE PRESENT TEXT.

F) WHILE WE OPPOSE THE INCLUSION OF MAXIMUM PRICES IN THE PROTOCOLS, WE ARE WILLING TO DISCUSS THE CONCEPTS OF MINIMUM EXPORT PRICES FOR MILK POWDER AND BUTTER FAT. LIMITED OFFICIAL USE

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INFO OCT-01 IO-13 ISO-00 AF-10 ARA-10 EA-10 EUR-12  
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STR-07 ITC-01 TRSE-00 ICA-11 SP-02 SOE-02 OMB-01  
DOE-15 STRE-00 /168 W

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G) THE US IS NOT A DEMANDEUR WITH RESPECT TO DAIRY PRODUCTS. HENCE OUR ATTITUDE TOWARDS THE PROPOSED AGREEMENT WILL DEPEND ON THE FINAL BALANCE STRUCK IN THE MTN.

H) LAST BUT NOT LEAST - OUR ULTIMATE POSITION WILL BE DETERMINED BY A SATISFACTORY AGREEMENT ON SUBSIDIES AND COUNTERVAIL.

6. THE US STATEMENT BROUGHT A POSITIVE NOTE TO THE DISCUSSIONS. POLEMICS WERE LARGELY LIMITED TO EXCHANGES BETWEEN THE EC AND AUSTRALIA (FOGARTY) AND BETWEEN SEVERAL DELS AND ARGENTINA (RAIMONDI). HOWEVER CANADA (GIFFORD) DECLARED THAT SINCE THE US HAS AGAIN EMBARKED ON DAIRY EXPORTS, CANADA WOULD NOT JOIN THE AGREEMENT IF THE US DID NOT ACCEPT ALSO THE PROTOCOLS ON MINIMUM PRICES.

7. THE WIDE RANGING DEBATE CLARIFIED A NUMBER OF INCON-  
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SISTENCIES BETWEEN THE VARIOUS PROVISIONS OF THE DRAFT. IT LED ALSO TO A CONSENSUS THAT THE CONSISTENCY OF THE PRESENT TEXT WITH THE GATT REQUIRES CLARIFICATION.

8. IT SEEMS THAT THE GATT SECRETARIAT HAS PREPARED A DRAFT PAPER ON THE LEGAL RELATIONSHIP BETWEEN THE VARIOUS PROPOSALS (E.G. CONCERTED DISCIPLINES, CONSULTATIONS WHICH MIGHT SUPERSEDE ARTICLE XXII CONSULTATIONS, INSERTION OF CONCESSIONS IN THE PROTOCOLS). HOWEVER, THE SECRETARIAT DOES NOT SEEM TO BE READY TO CIRCULATE SUCH A PAPER. IT IS, HOWEVER, WILLING TO PREPARE A PAPER WHICH WOULD AT LEAST HIGHLIGHT THE LEGAL ISSUES RELATIVE TO THE GENERAL AGREEMENT RAISED BY THE PROPOSED ARRANGEMENT.

9. IN THIS CONTEXT THERE WAS A LIVELY DEBATE ON THE SIGNIFICANCE OF THE REFERENCE TO GATT ARTICLE XXVIII, WHICH IN THE PRESENT DRAFT APPEARS IN ALL THE PROTOCOLS INCLUDING THE PROTOCOL CONCERNING CONCERTED DISCIPLINES. THE US, AUSTRALIA, NEW ZEALAND (FARNON) AND CANADA QUESTIONED THE AMBIGUOUS POSITION OF THE EC AS REGARDS THE GATT CONFORMITY OF THE PROPOSED DRAFT.

10. THE EC POSITION WHICH IS OFTEN SELF-CONTRADICTIONARY MAY BE APPROXIMATELY DESCRIBED AS FOLLOWS: ON THE ONE HAND THE EC ASSERTS THAT BY BASING THE AGREEMENT ON ARTICLE XX(H), ANY DEVIATION FROM THE RULES OF THE GATT COULD BE SANCTIONED. ON THE OTHER HAND, THE EC INSISTS THAT THE INCLUSION IN THE GATT SCHEDULE OF BILATERAL CONCESSIONS NEGOTIATED WITHIN THE FRAMEWORK OR WITHIN THE PURVIEW OF THIS AGREEMENT IN THE GATT AND THE REFERENCES TO VARIOUS GATT ARTICLES GIVE ALL PARTNERS THE FULL PROTECTION OF GATT. HOWEVER, WHEN HARD PRESSED, THE

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EC DECLARED THAT IT MUST BE RECOGNIZED THAT THE GATT WHICH WAS DRAFTED 30 YEARS AGO IS BY NOW OUTDATED; THAT THE PROPOSED DAIRY ARRANGEMENT IS INDISPENSABLE TO REACH AN AGREEMENT ON WHEAT AND MEAT; THAT WITHOUT A DAIRY ARRANGEMENT AS PROPOSED THE MTN WILL FAIL. HENCE IRRESPECTIVE OF THE DETAILED PROVISIONS OF THE GATT, THE DAIRY AGREEMENT MUST BE ACCEPTED FOR MAJOR POLITICAL REASONS. IN THIS CONTEXT THE EC REFERRED TO THE VITAL POLITICAL IMPORTANCE WHICH, AS THEY SAID, AMBASSADOR STRAUSS ATTRIBUTES TO THE MTN.

11. IN THE COURSE OF THE MEETING NEW ZEALAND SUBMITTED ITS PAPER CONCERNING THE CRITERIA FOR ESTABLISHING AND ADJUSTING MINIMUM PRICES (SEE REFTTEL). THE AUSTRALIAN DEL ALSO SUBMITTED A WORKING PAPER CONCERNING MODIFICATIONS TO THE PROPOSED MILK POWDER PROTOCOL. BOTH PAPERS AS WELL AS THE UNCLEARED NOTES OF THE MEETING ARE BEING HANDCARRIED TO WASHINGTON BY BETSY SEASTRUM.

12. THE NEXT PLENARY MEETING OF THE SUBGROUP DAIRY WAS TENTATIVELY SET FOR MAY 30; THAT FOR THE GROUP OF EXPERTS FOR MAY 16.

13. ACTION SUGGESTED: IN ORDER TO CLEAR THE WAY FOR A POLITICAL DECISION BY JULY 15, SEVERAL STEPS HAVE TO BE TAKEN:

A) AT LEAST TWO BILATERALS WITH THE EC SPECIFICALLY DIRECTED TO DAIRY PRODUCTS AND THE EC'S SUGGESTIONS CONCERNING THE TERMS OF ACCESS TO THE US MARKET SHOULD BE HELD IN MAY AND JUNE. IN THE FIRST OF THESE MEETINGS THE EC SHOULD SPELL OUT IN A CONCRETE WAY ITS IDEAS FOR ACCESS TO THE US. IN THE SECOND MEETING THE US SHOULD GIVE ITS VIEWS INCLUDING SUGGESTIONS FOR CHANGES IN THE EC POSITION;

B) WASHINGTON EXAMINATION OF A GATT SECRETARIAT ISSUE  
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PAPER WHICH HOPEFULLY WILL BE AVAILABLE BY MID-MAY SHOULD BE COMPLETED PRIOR TO THE NEXT MEETING OF THE

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INFO OCT-01 IO-13 ISO-00 AF-10 ARA-10 EA-10 EUR-12  
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STR-07 ITC-01 TRSE-00 ICA-11 SP-02 SOE-02 OMB-01  
DOE-15 STRE-00 /168 W  
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SUBGROUP;

C) ALSO PRIOR TO THE NEXT SUBGROUP MEETING WASHINGTON  
SHOULD UNDERTAKE AN ARTICLE BY ARTICLE EXAMINATION OF  
THE PRESENT DRAFT AND PROVIDE THE MTN DEL WITH COMMENTS  
INCLUDING ALTERNATIVE LANGUAGE WHERE APPROPRIATE.

14. DRAFTED BY KOENIG. CULBERT

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## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 jan 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** PRODUCTION, DAIRY PRODUCTS, COMMITTEE MEETINGS  
**Control Number:** n/a  
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**Draft Date:** 01 may 1978  
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**Decaption Note:**  
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**Disposition Comment:** 25 YEAR REVIEW  
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**TAGS:** ETRD, MTN  
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